

## County Adjusted Gross Income Tax (CAGIT)

### 6-3.5-1.1

#### Source Data

In order to calculate the basis of the distributions, the Department must use certain data from past years. The following data were taken from the prior year budget order and distribution reports (using LOGODABA) for each county: County codes and names, unit type codes, unit codes and names, certified levies, welfare levies picked up by the state (from 1999 and 2008), the previous year's CAGIT PTRC distribution and previous year's CAGIT certified shares distribution, and the amount of levy imposed for debt issued after June 2005.

The Certified Distributions by county were taken from the Certified Distribution report issued by the State Budget Agency.

Designation of counties that have adopted an ordinance permitting solid waste districts to receive distributions was done using the classifications stored in LOGODABA that informed previous years' distribution reports.

Other source data used for more specific calculations will be identified within the discussion of that calculation.

#### Calculation of the Allocation Amount (IC 6-3.5-1.1-1.1)

The Allocation Amount has previously been called the "Adjusted PTRC Levy" on distribution reports.

The "allocation amount" is equal to the previous year certified levy, less the levies for post-June-2005 debt, plus the previous year certified distribution. The certified distribution includes both the portion for certified shares and the portion for property tax replacement credits ("PTRC").

The levy used for the calculation is the certified levy, not the abstract levy, because the abstract levy reflects the circuit breaker credits issued under IC 6-1.1-20.6. IC 6-1.1-20.6-12 states that LOIT distributions "shall be based on the taxing unit's property tax levy as calculated before any reduction due to credits provided to taxpayers under this chapter." Therefore, the certified levy was used for the purpose of this calculation because it is the levy before any reductions from circuit breaker credits.

Therefore, the Department used the following formula to calculate the basic allocation amount:

$$\text{Allocation Amount} = 2010 \text{ certified levy} - 2010 \text{ levies for post-June-2005 debt} + 2010 \text{ certified shares} + 2010 \text{ PTRC}$$

The calculation of the allocation amount is subject to a number of conditions and adjustments:

- IC 6-3.5-1.1-1.3 specifies that a solid waste management district is not entitled to receive a distribution of CAGIT revenues unless the county council passes an ordinance permitting such a distribution.

*The Allocation Amount calculation was therefore set to zero for all solid waste management districts for which no ordinance exists to authorize the distribution.*

- IC 6-3.5-1.1-1 defines a civil taxing unit (an entity entitled to receive a CAGIT distribution) as any entity having the power to impose ad valorem property taxes except a school corporation. This does not include conservancy districts.

*The Allocation Amount calculation was therefore set to zero for all conservancy districts.*

- IC 6-3.5-1.1-1.1(a) states that the allocation amount is subject to an adjustment for fire territories which is described in IC 36-8-19-7.5. IC 36-8-19-7.5 states that for the purpose of distributing CAGIT, COIT, CEDIT, and excise tax, a unit that participates in a fire territory is considered to have imposed part of the property tax levy for the territory. The portion of the levy that the unit is considered to have imposed is equal to the fire territory levy multiplied by the unit's property tax levy in the year before formation of the territory divided by the sum of all participating units' property tax levies in the year before formation of the territory. ([2010 fire territory levy \* (20xx unit levy / sum of 20xx unit levies)], where xx represents the year before the first year the territory imposed a levy.) This is implemented as an adjustment to the calculated allocation amount. The adjustment for a participant unit is the amount calculated by the preceding formula. The adjustment for a provider unit is the negative sum of all the participant units' adjustments.

*The Allocation Amount calculation was therefore amended to add the calculated fire territory adjustment amount.*

The resulting, final formula for the allocation amount is:

*Allocation Amount = IF unit type=conservancy, THEN 0*

*Else IF unit type=solid waste AND designation=non-recipient, THEN 0*

*Else 2010 certified levy – 2010 levies for post-2005 debt + 2010 certified shares + 2010 PTRC + fire territory adjustment*

### **Calculation of the Attributed Allocation Amount (IC 6-3.5-1.1-15)**

The Attributed Allocation Amount has previously been called the “Adjusted Abstract Levy” on distribution reports.

The “attributed allocation amount” is determined for civil taxing units, equal to the “allocation amount” plus the welfare allocation amount plus the current ad valorem property tax levies for special districts that discharge services normally provided by the civil taxing unit. The welfare

allocation amount is equal to the taxes imposed in 1999 for the county welfare fund and the welfare administration fund plus the taxes imposed in 2008 for the county's county medical assistance to wards fund, family and children's fund, children's psychiatric residential treatment services fund, county hospital care for the indigent fund and children with special health care needs county fund. This amount is calculated for the county unit only; all other units' welfare allocation amount is zero. The Department has received no information to indicate the existence of ad valorem property tax levies imposed by special districts, authorities, or boards that discharge services normally provided by the civil taxing unit.

Since schools are not considered civil taxing units for this purpose, the attributed allocation amount for a school unit was set equal to zero.

Therefore, the Department used the following formula to calculate the attributed allocation amount:

$$\begin{array}{ll} \text{Attributed Allocation Amount} = & \text{IF unit type=school, THEN 0,} \\ & \text{Else} \quad \quad \quad \text{Allocation Amount + Welfare Allocation Amount} \end{array}$$

### **Apportionment of the Certified Distribution**

IC 6-3.5-1.1-11 requires a County Auditor to determine the part of the Certified Distribution that will be used as PTRC and the part that will be used as certified shares. This determination is to be done by August 10. IC 6-3.5-1.1-11(b) prescribes the apportionment percentages. In order to accomplish the required certifications, the Department has done the apportionment independently. The Department used the schedule in subsection (b) to determine for each county the percentage of CAGIT revenues that will be used for each purpose. The Department primarily apportioned the Certified Distribution using the following formula:

$$\begin{array}{l} \text{Amount for Certified Shares} = \text{Certified Distribution} * \text{Percent for Certified Shares} \\ \text{(unadjusted) Amount for PTRC} = \text{Certified Distribution} * \text{Percent for PTRC} \end{array}$$

IC 6-3.5-1.1-13 introduces a separate calculation to give PTRC to a unit which did not impose a levy for the distribution year. The unit is given a "zero levy allocation," equal to the portion of the Certified Distribution used for PTRC multiplied by the unit's previous year budget divided by the sum of the previous year budgets for all units within the county (2011 total PTRC amount available \* 2010 unit budget / sum of 2010 unit budgets). This amount must be subtracted from the amount of PTRC that is to be distributed to the remaining units. Therefore, the Department secondarily apportioned the Certified Distribution using the following formula:

$$\begin{array}{l} \text{Amount for Certified Shares} = \text{Certified Distribution} * \text{Percent for Certified Shares} \\ \text{Amount for PTRC} = (\text{Certified Distribution} * \text{Percent for PTRC}) - (\text{sum of "zero levy allocations"}) \end{array}$$

### Calculation of the Unit Certified Shares

IC 6-3.5-1.1-15(b) gives the formula for calculating each unit's distribution for certified shares. This is equal to the Amount for Certified Shares (calculated under IC 6-3.5-1.1-11) multiplied by the unit's attributed allocation amount divided by the sum of all units' attributed allocation amounts. The Department used the following formula:

$$\text{Unit's Certified Share} = \text{Amount for Certified Shares} * (\text{Unit Attributed Allocation Amount} / \text{sum of Unit Attributed Allocation Amounts})$$

### Calculation of the Unit PTRC Amounts

IC 6-3.5-1.1-12 gives the formula for calculating each unit's distribution for PTRC (subject to the "zero levy allocation"). This is equal to the Amount for PTRC (calculated under IC 6-3.5-1.1-11 after subtracting the "zero levy allocation") multiplied by the unit's allocation amount divided by the sum of all units' allocation amounts. (Note that the "allocation amount" is different from the "attributed allocation amount" used for certified shares.)

Since a unit receiving a "zero levy allocation" has received its PTRC amount under a separate calculation, it must be excluded from this calculation. Therefore, the Department used the following formula to calculate each unit's PTRC amount:

$$\begin{aligned} \text{Unit's PTRC Amount} = & \quad \text{IF unit is recipient of "zero levy allocation," THEN "zero levy} \\ & \quad \text{allocation" amount} \\ \text{Else} & \quad \text{Amount for PTRC} * [\text{Unit Allocation Amount} / (\text{sum of} \\ & \quad \text{Unit Allocation Amounts} - \text{sum of "zero levy allocation"} \\ & \quad \text{recipients' Allocation Amounts})] \end{aligned}$$